

AR13

Annual Report 1974



PE BEN

Pe Ben Oilfield Services Ltd.



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Front Cover—Photograph of Pe Be building and sign taken

8:00 p.m., January 30, 1975 looking north to the City of Edmonton. —

Pe Ben Oilfield Services Ltd.

(Incorporated Under the Laws of Alberta)

BOARD OF DIRECTORS: H. A. Martin, Chairman of the Board, Vancouver
P. W. Shipka, Edmonton,
B. F. Michetti, Edmonton
J. N. Turvey, Vancouver
G. P. Clarkson, Toronto

OFFICERS: P. W. Shipka, President
B. F. Michetti, Vice President
J. N. Turvey, Secretary Treasurer

EXECUTIVE OFFICE: 17 Street & 45 Avenue
P.O. Box 5805, Station "L"
Edmonton, Alberta

TRANSFER AGENT
AND REGISTRAR: National Trust Company, Limited
Toronto

STOCK EXCHANGES: Toronto Stock Exchange, Toronto
Montreal Stock Exchange, Montreal

BANKERS: The Royal Bank of Canada, Edmonton
Bank of Montreal, Estevan

SOLICITORS: MacPherson, Leslie & Tyerman
Regina

AUDITORS: Dunwoody & Company
Edmonton

ANNUAL MEETING: The Annual General Meeting of the Shareholders of the Company
shall be held in Edmonton, Alberta, at the Pe Ben Building on Friday,
March 21, 1975, at the hour of 10:00 in the forenoon.

Second Annual Report

Highlights of the Year

	1974	1973
Gross revenues	14,238,149	12,580,009
Income before taxes	897,259	2,013,662
Net income from operations (excluding extraordinary items)	476,059	1,020,126
Cash flow per share	.98	1.19
Working capital at year end	964,564	1,567,851
Additions to property, plant and equipment	2,562,622	3,925,492
Long term debt at year end	2,709,978	2,416,018
Total assets at year end	13,337,241	10,754,916
Shareholders' equity	4,855,975	4,372,356
Shares outstanding	1,806,100	1,804,700
Earnings per share	.26	.61



President's Report

To The Shareholders

The Board of Directors submits herewith the Annual Report of your Company for the year ended December 31, 1974, together with the financial statements and the report of your auditors.

Service companies such as ours did not enjoy one of our better years in 1974 due to the unstable climate, a slowdown in the oil and gas exploration activities, and general inactivity in the pipeline construction industry. Intergovernmental disputes on resource revenues has caused delays and or deferrals in the implementation of projects which PE BEN would have participated in, compounded by the problems associated with the financially troubled Syncrude Project.

Revenues increased to \$14,200,000 for 1974, as compared to \$12,500,000 for 1973, despite the low levels of activities in the aforementioned industries. Profits, however, decreased from \$1,049,600 for 1973 to \$476,000 for 1974.

The contracting and petroleum service division showed a drop in revenues from a 1973 level of \$6,400,000 to \$2,900,000 for 1974, representing a decrease of \$3,500,000 or 55.0 per cent, while gross profit for this segment of the company contributed 71.0 per cent less in 1974 earnings than in 1973.

The operations generated cash after taxes of \$1,700,000 and working capital position decreased from \$1,567,800 for 1973 to \$964,500 for 1974. Fixed asset additions were financed mostly by outside investment companies, but the rest of these additions together with the retirement of long term debt were taken from our working capital.

Cash expenditures on improvements to our Edmonton storage yard, balance of new building cost and landscaping amounted to \$363,698 and current appraisal value at February 15, 1975, was \$1,686,100, compared to book value of \$620,727.

The value of our Edmonton land (77 acres) has gone up appreciably and helps to keep us more than comfortable in relation to the repayment of long term debt. Working capital expenditures were mainly due to purchase of fixed assets for specific contracts that were delayed because of the economic climate. However, as these projects come on stream this situation will reverse and create an upward trend in our working capital position.

PE BEN's work in hand and contract position remains excellent for 1975, and if a resurgence of projects such as Syncrude, Dome Petroleums, I.P.L. (Sarnia-Montreal pipeline), and others begin soon, management estimates that gross revenues should exceed those of 1974. This being the case, our profit picture should also return to normal by expected levels.

Your company is now well established in the industries we serve and our prosperity in the immediate future depends only on timing. Past diversification has meant much to your company's operations, and we are involved in other areas of diversification that will increase our revenues over the years.

The paramount highlight of 1974 for us was the award of a contract by the Northern Alberta Railway to service the Syncrude Project, which makes us a part of their new Intermodal Services. This promises not only greatly increased revenues for a great number of future years but also an exciting opportunity and challenge to PE BEN's management as a vital factor in this innovative concept of transportation. Syncrude has now found the necessary funds to carry on and your company should start to realize substantial revenues from this source in the following months, subject only to the rapidity with which materials and supplies may be prepared for shipment from areas around the world.

President's Report

To the Shareholders

Through the Intermodal service we have started hauling bulk sulphur from the Great Canadian Oil Sands plant at Tar Island, on specialized units, to a stockpile site at the N.A.R.'s new Intermodal rail yard at Lynton. We then reload the sulphur onto railway gondola cars for shipment to the Eastern seaboard and thence by boat to overseas destinations. The initial value of this contract to PE BEN is in excess of \$1,200,000.

Other bulk hauling and handling projects related to the Tar Sands and Intermodal

services are now being studied. It is anticipated that some of them will begin in the near future.

Despite the problems encountered in 1974 which reduced PE BEN's services to the oil and gas industry, energy requirements which must be met from petroleum resources, suggests that our company's level of activity will accelerate as development programs are initiated.

Respectfully submitted on behalf of the board of directors.

Edmonton, Canada
March 3, 1975

P. W. Shipka
President



FINANCIAL STATEMENTS

1974



Auditors Report

To the Shareholders,
Pe Ben Oilfield Services Ltd.,

We have examined the consolidated balance sheet of Pe Ben Oilfield Services Ltd. and its subsidiaries as at 31 December 1974 and the consolidated statements of earnings and retained earnings, and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at 31 December 1974, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DUNWOODY & COMPANY
Chartered Accountants
Vancouver, B.C.
6 February, 1975

Financial Statements

Pe Ben Oilfield Services Ltd and its subsidiaries

Consolidated Statement Of Earnings

And Retained Earnings For The Year Ended 31 December 1974

	1974	1973
GROSS REVENUE	\$14,238,149	\$12,580,009
OPERATING AND ADMINISTRATION EXPENSES—Note 8	12,197,489	9,918,411
DEPRECIATION	688,253	442,129
INTEREST—current	29,399	63,956
INTEREST—long term	451,387	140,644
(GAIN) LOSS ON DISPOSAL OF FIXED ASSETS	(25,638)	1,207
	<u>13,340,890</u>	<u>10,566,347</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	897,259	2,013,662
INCOME TAXES—current	(190,885)	268,836
—deferred	612,085	724,700
	<u>421,200</u>	<u>993,536</u>
EARNINGS BEFORE EXTRAORDINARY ITEM EXTRAORDINARY ITEM	476,059	1,020,126
Reduction of income tax by application of costs of share issue	-	29,504
NET EARNINGS	476,059	1,049,630
RETAINED EARNINGS, beginning of year as restated—Note 7	2,718,472	1,668,842
RETAINED EARNINGS, end of year	<u>\$ 3,194,531</u>	<u>\$ 2,718,472</u>
EARNINGS PER SHARE		
Earnings before extraordinary item	\$.26	\$.59
Net earnings	.26	.61

Financial Statements

Pe Ben Oilfield Services Ltd. and its Subsidiaries — Note 1

Consolidated Balance Sheet As At 31 December 1974

	1974	1973
CURRENT ASSETS		
Accounts receivable	\$ 3,693,944	\$ 3,403,633
Income taxes recoverable	391,589	161,345
Inventories, valued at the lower of cost and net realizable value - Note 1(b)	800,964	691,880
Land held for resale, at cost	157,249	157,249
Prepaid expenses	39,581	62,816
	5,083,327	4,476,923
 FIXED ASSETS—Note 2	 7,777,663	 6,021,664
 OPERATING AUTHORITIES, at cost—Note 1(f)	 227,306	 227,306
 DEFERRED CHARGES—Note 1(d)	 248,945	 29,023
 These financial statements have been approved by the Board of Directors.		
 P. W. Shipka; Director		
B. F. Michetti; Director		
	<u>\$13,337,241</u>	<u>\$10,754,916</u>

CURRENT LIABILITIES

	1974	1973
Bank indebtedness—Note 3	\$ 1,285,452	\$ 536,875
Accounts payable and accrued liabilities	1,065,616	1,227,537
Deferred income taxes—Note 1(e)	84,150	67,118
Current portion of long term debt — Note 4	1,683,545	1,077,542
	<u>4,118,763</u>	<u>2,909,072</u>
 LONG TERM DEBT—Note 4	 <u>2,709,978</u>	 <u>2,416,018</u>
 DEFERRED INCOME TAXES—Note 1(e)	 <u>1,652,525</u>	 <u>1,057,470</u>

SHAREHOLDERS' EQUITY

Share capital—Notes 5 and 6		
Authorized		
2,500,000 shares of no par value		
Issued		
1,806,100 shares (1973 —		
1,804,700 shares)	1,648,432	1,640,872
Equity increase on acquisition		
of subsidiaries	13,012	13,012
Retained earnings	3,194,531	2,718,472
	<u>4,855,975</u>	<u>4,372,356</u>
	<u>\$ 13,337,241</u>	<u>\$ 10,754,916</u>

Financial Statements

Pe Ben Oilfield Services Ltd. and its subsidiaries

Consolidated Statement Of Changes

In Financial Position For The Year Ended 31 December 1974

SOURCE OF FUNDS	1974	1973
From operations		
Net earnings	\$ 476,059	\$1,049,630
Add—items not involving funds		
Depreciation	688,253	442,129
Deferred income taxes—non current	595,055	657,582
(Gain) loss on disposal of fixed assets	(25,638)	1,207
Amortization of deferred costs	38,098	-
	<u>1,771,827</u>	<u>2,150,548</u>
Sale of fixed assets	144,007	83,861
Issue of common shares	7,560	1,640,372
Increase in long term debt for acquisitions of fixed assets—net	293,961	962,976
	<u>2,217,355</u>	<u>4,837,757</u>
APPLICATION OF FUNDS		
Additions to fixed assets	2,562,622	3,925,492
Site preparation costs deferred	258,020	29,023
	<u>2,820,642</u>	<u>3,954,515</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(603,287)	883,242
WORKING CAPITAL, beginning of year as restated	<u>1,567,851</u>	<u>684,609</u>
WORKING CAPITAL, end of year	<u>\$ 964,564</u>	<u>\$1,567,851</u>

Financial Notes

Pe Ben Oilfield Services Ltd. and its subsidiaries

Notes To The Consolidated Financial Statements

As At 31 December 1974

NOTE 1 — Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the company and its wholly owned subsidiaries.

Peben Industries Ltd.

Pe Ben Industries Company Ltd.

Beaver Trucking Limited.

P. & B. Transport Ltd.

Glenbert Holdings Ltd.

P & B Trucking (1967) Ltd.

(b) Inventories

Included in inventories is an amount of \$279,967 representing the cost of equipment parts and supplies on hand at locations in the High Arctic. Annual replacement of consumption from this stock is taken in by sea lift. The shipment is deemed to be consumed in twelve months and is therefore written off on a monthly basis. The original acquisition is written down only as stock is returned from the Arctic and either sold or used in other areas.

(c) Depreciation

The depreciation policy is outlined in Note 2.

(d) Deferred charges

The company has continued its policy of writing off storage yard improvements over a five year period. The increase this year is primarily the new yard at Edmonton.

(e) Deferred income taxes

For income tax purposes, the companies have claimed capital cost allowances in excess of depreciation recorded in the accounts and have deferred revenue for income tax purposes on contract holdbacks, resulting in a deferment of income taxes. The total has been reduced by \$52,600, being the estimated benefit expected to be realized from application of a portion of the 1974 loss for tax purposes against 1975 taxable income. This benefit and the deferred income taxes on holdbacks have been netted under the heading of current liabilities. 1973 comparative amounts have been correspondingly changed.

(f) Operating authorities

The cost of operating authorities includes \$168,834, representing the excess acquisition cost of certain subsidiaries over their book value, which subsidiaries were acquired principally for their operating authorities.

Financial Notes

Pe Ben Oilfield Services Ltd. and its subsidiaries

Notes To The Consolidated Financial Statements

As At 31 December 1974

NOTE 2 — Fixed assets

Depreciation has been calculated on a straight line basis, using rates determined by management as suitable for this type of industry and the maintenance programme followed by the company. The assets of the Estevan Brick Division have been depreciated at the maximum rates allowed for income tax purposes. Rates used are set out in the following summary:

		1974		1973	
	Rate	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Cranes and tracked equipment	5%	\$3,045,061	\$ 245,533	\$2,456,896	\$ 109,518
Heavy trucks and trailers	10%	4,816,185	1,189,800	3,430,063	763,792
Light trucks and automobiles	20%	210,951	88,103	174,122	58,801
Office and shop equipment	10%	322,324	52,126	234,778	25,127
Permanent buildings	5%	470,131	33,852	381,752	12,705
Contract buildings	10%	151,402	16,598	43,679	25,820
Parking lot	5%	14,697	367	-	-
Estevan Brick Division Tax rates		184,913	40,858	137,542	24,588
Lands	—	229,236	-	183,183	-
		<u>9,444,900</u>	<u>1,667,237</u>	<u>7,042,015</u>	<u>1,020,351</u>
NET BOOK VALUE		\$7,777,663		\$6,021,664	

NOTE 3 — Bank indebtedness

Included in bank indebtedness are the following bank loans:

	1974	1973
Operating line of credit secured by general assignment of inventories and book debts of the Estevan Brick Division, payable on demand	\$130,000	\$ 70,000
Operating line of credit secured by debenture set out in Note 4, and payable on demand	<u>625,000</u>	<u>350,000</u>
	<u>\$755,000</u>	<u>\$420,000</u>

Financial Notes

Pe Ben Oilfield Services Ltd. and its subsidiaries

Notes To The Consolidated Financial Statements

As At 31 December 1974

NOTE 4 — Long-term debt	1974	1973
Conditional sales agreement, secured on equipment, and payable in quarterly instalments, including interest at rates from 10% to prime rate plus 2½%	\$3,405,542	\$2,229,350
Bank loan — secured by a debenture which creates a fixed charge on certain assets by way of first mortgage, and charges all other assets by way of a first floating charge in favour of the bank, subject to the Estevan Brick Division security referred to in Note 3 and the assets secured by way of conditional sales contracts above. The various categories of loans bear interest at 2% and 3% over prime rate and are repayable in quarterly and annual instalments.	950,001	1,200,000
Mortgages payable on three employee-occupied dwellings at Estevan. Interest 5½% and 6%	17,980	14,210
Obligations to vendor of shares in affiliated company		
One remaining instalment. Interest is payable at 6½%	20,000	50,000
	4,393,523	3,493,560
LESS CURRENT PORTION	1,683,545	1,077,542
	<u>\$2,709,978</u>	<u>\$2,416,018</u>
Annual instalments:		
1976	\$1,826,271	
1977	819,927	
1978 and subsequent	63,780	
	<u>\$2,709,978</u>	

Financial Notes

Pe Ben Oilfield Services Ltd. and its subsidiaries

Notes To The Consolidated Financial Statements

As At 31 December 1974

NOTE 5 — Share capital

Changes during the year are as follows:

	Shares	Amount
For cash — employee options	1,400	\$ 7,560
Balance, beginning of year	<u>1,804,700</u>	<u>1,640,872</u>
Balance, end of year	<u>1,806,100</u>	<u>\$1,648,432</u>

NOTE 6 — Under a key employee stock option plan approved in 1973, 75,000 shares are reserved for stock options. Options for 47,500 shares at \$5.40 were granted in 1973 of which 6,100 have been exercised and 11,400 lapsed. Options for 7,500 shares annually, expire 19 March 1975 to 1978.

NOTE 7 — Retained earnings

As a result of income tax reassessments applicable to the years 1972 and 1973, the balance of retained earnings at 31 December 1973 previously reported as \$2,745,732 has been restated to show a retroactive charge of \$27,260 representing the cumulative amount by which income taxes to 31 December 1973 have been increased. Of the \$27,260, \$19,355 is applicable to 1973 and has been charged to income for that year. The remaining \$7,905 is applicable to 1972 and has been charged to retained earnings at that date, previously reported as \$1,676,747. The affected balance sheet items have also been restated.

NOTE 8 — Remuneration of directors and senior officers

The aggregate direct remuneration paid or payable by the companies to directors and senior officers of the company amounted to \$122,250 (1973 - \$93,875).

Hitherto the amounts included payments to officers of a subsidiary company. These have been deleted from the 1973 amount for comparative purposes.

Pe Ben is ...

Brick manufacturing

Located on a 178 acre site in Estevan, Saskatchewan, the Estevan Brick Division's plant manufactures six different sizes of brick, in twenty shades and nine different colors which are sold and distributed throughout North America. A recent introduction into the Estevan Brick line has been the blended brick which is showing considerable market acceptance.





Pe Ben is ...

intermodal services

A new concept of transportation is now provided by PE BEN involving a variety of intermodal services which relate to the movement of commodities by two or more transport mediums: truck, rail, ship, air or heavy haul vehicles. Rail and truck transport provide the most common means of intermodal service, however, for off-shore material ship-rail-truck transport is not uncommon and in the case of extremely heavy components ship-rail-barge-truck interchanges may be used.



Pe Ben is ...

contract transportation
and material
handling

Utilizing a fleet composed of a variety of 660 specialized pieces of equipment and in excess of 100 acres of storage facilities, a totally integrated transportation and service supply medium is provided PE BEN's customers in the oil, gas and hydro-electric industries. Such services being provided include the handling and transport of palletized and non-palletized cement products, petrochemical supplies, heavy equipment, building and construction materials, gravel, aggregate, pipe, and oilfield drilling supplies and equipment. Fully developed yard storage facilities are also available for the marshalling of varying types of oilfield equipment and supplies, pipe, pipe casing, tubing, construction supplies and hydro-related materials.







Pe Ben is ...

Hydro services

A complete range of hydro tower contracting services is supplied to the hydro electric industry through the company's hydro services division. Projects undertaken to date include the pulling, bundling, transporting and stringing of hydro towers, reels, conductors and related supplies. Storage facilities for hydro-related products are also available at the company's Edmonton and Vancouver locations.



Pe Ben is ...

stringing

Pipeline stringing and subcontracting remains an integral part of the total transportation package provided by the PE BEN group with specialized services including the stockpiling, loading, and hauling of all types and sizes of transmission pipe and materials used in the construction of mainline and distribution pipelines, as well as transportation and equipment rental services incidental to pipeline construction.





Pe Ben is ...

support services

PE BEN has currently, under contract, committed in excess of 260 pieces of specialized equipment to the provision of Arctic support services to the oil and gas exploration and development industries. These services include the supply of personnel and equipment for the preparation and maintenance of drilling sites, airstrips, access roads, rig moving and material transport.



PE BEN OILFIELD SERVICES LTD.
and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS
For the Six Months Ended June 30, 1974
(unaudited)

	1974	1973
Revenue	<u>6,781,867</u>	<u>5,211,360</u>
Operating and Administration Expenses	5,492,251	3,687,096
Depreciation	310,182	183,588
Interest — Current	79,214	41,643
Interest — Long Term	<u>140,971</u>	<u>31,047</u>
Total Expenses	<u>6,022,618</u>	<u>3,943,374</u>
Earnings Before Income Taxes	<u>759,249</u>	<u>1,267,986</u>
Provision for Income Taxes:		
Current	199,877	395,843
Deferred	<u>179,748</u>	<u>110,755</u>
Total Provisions for Income Taxes	<u>379,625</u>	<u>506,598</u>
Net Earnings for The Period	<u>379,624</u>	<u>761,388</u>
Net Earnings per Share	20.9¢	42.2¢
On Number Shares		
Outstanding 1974 - 1,812,260		
1973 - 1,800,000		



OILFIELD SERVICES LTD.

SECOND QUARTER REPORT
For the Six Months
January 1 to June 30, 1974

PE BEN OILFIELD SERVICES LTD.
and its Subsidiaries

Consolidated Statement of Changes in Working Capital
For the Six Months Ended June 30, 1974
(unaudited)

	1974	1973
Additions to Working Capital from Operations:		
Net Earnings:	379,624	761,388
Add items not involving funds		
Depreciation	310,182	183,588
Deferred income taxes	179,748	110,755
Gain on disposal of fixed assets	<u>(1,526)</u>	<u>25,765</u>
	868,028	1,081,496
Sale of Fixed Assets	10,052	—
Issue of Common Shares	7,560	1,622,000
Increase in Long Term Debt for Acquisition of Fixed Assets Net	<u>—</u>	<u>—</u>
	885,640	2,703,496
Deductions from Working Capital:		
Additions to Fixed Assets	763,757	1,069,546
Decrease in long term debt	13,898	463,132
Site preparation costs deferred	<u>82,775</u>	<u>—</u>
	860,430	1,532,678
Increase in Working Capital	25,210	1,170,818
Working Capital, Beginning of Year	<u>1,662,229</u>	<u>692,514</u>
Working Capital, End of Period	<u>1,687,439</u>	<u>1,863,332</u>

To The Shareholders

On behalf of the Board of Directors, we herewith present our six month progress report for 1974.

The financial results for the first six months of 1974 are highlighted below.

Statistical Highlights

	Six Months Six Months Six Months	1973	% Change
	1974	1973	
Revenue	6,781,867	5,211,360	+ 30.13
Net Earnings	379,624	761,388	- 50.14
Working Capital	1,687,439	1,863,332	- 9.43
Net Earnings/Share	20.9¢	42.2¢	- 50.47

Progress Report

The ability of management to capitalize on the increased market demand for transportation-related services, demonstrated through increased Gross Earnings during the first quarter of 1974, continued to be reflected during the second quarter with Gross Revenue for the period exceeding by 30% the corresponding 1973 results. However, inflation, escalating labour and material costs, the continued suppression of major pipeline construction, and the seasonal slowdown in research and exploration activities in the Arctic, all contributed to decreased 1974 Net Earnings compared to the same period of 1973. In view of the foregoing, management feels that under present economic circumstances they are unable to accurately project quarterly Net Earnings results and consequently must rely on annual earnings projections, which have proved much more reliable. In this regard operations should still achieve a 20% increase/in Gross Revenue over the 1973 level, with a corresponding 25% increase in Net Earnings for 1974.

Substantial capital outlays towards the improvement and upgrading of the Edmonton yard storage facilities were also undertaken in order to further increase Gross Revenue. As experienced with the contract costs incurred during the second quarter, preparatory to rigup and manpower mobilization for projects just being initiated, these expenditures represent investment in future income streams, although registering a short term negative impact on current net earnings. Notwithstanding these factors, management was still able to realize a 5.6% profit on sales volume and a 10.6% return on total investments.

New Contracts

During June, PE BEN was pleased to announce the award of a major transportation contract from the Northern Alberta Railways (N.A.R.) involving the Company in what is believed to be the largest intermodal transportation project ever undertaken in Canada. This contract, projected as operational through at least 1978, is for the transportation of materials and supplies from the N.A.R. marshalling yard at Draper, Alberta to the site of the new Syncrude Mildred Lake Plant. Gross Revenues derived from the project are estimated to exceed 25 million dollars over the next four years.

The Stringing division was awarded during the first half, contracts for the stockpiling, transportation, and stringing of approximately 191 miles of pipe. These projects are scheduled to commence during both the third and fourth quarters, with the major portion of the stringing projects slated for the second quarter being completed during third quarter operations.

The Richmond division of PE BEN Trucklines was also successful in securing various contracts that will yield revenue in excess of one-half million dollars for the remaining six months of 1974. In addition to the normal contract hauls undertaken by this division, these contracts include the pulling, loading, and hauling of about 45 miles of hydro tower steel, as well as the transport only of approximately 278 miles of hydro tower steel and 118 miles of hydro wire and hardware accessories.

The Future

Increased contracts as outlined in the preceeding section will set the pace for operational activities during the balance of 1974 and into 1975.

P. W. Shipka
President

ASSETS:

Current Assets:

	1974	1973
Cash		48,704
Accounts Receivable	2,670,973	2,008,266
Inventories	663,541	435,796
Land held for resale	157,249	158,541
Investments	2,981	2,981
Prepaid Expenses	210,402	166,648
	<u>3,705,146</u>	<u>2,820,936</u>

Fixed Assets:

Cost	7,795,114	4,273,579
Less accumulated depreciation	<u>1,328,402</u>	<u>790,018</u>
	<u>6,466,712</u>	<u>3,483,561</u>

Operating Authorities - at cost

Deferred charges	227,306	227,306
	<u>111,798</u>	<u>—</u>
	<u>10,510,962</u>	<u>6,531,803</u>

LIABILITIES:

Current Liabilities:

Bank Overdraft	176,640	—
Bank Loan	130,000	210,000
Accounts Payable	435,372	408,889
Income Taxes	65,809	228,715
Current portion of long term debt	<u>1,209,887</u>	<u>110,000</u>
	<u>2,017,707</u>	<u>957,604</u>

Long term debt

	2,402,120	989,910
	<u>1,304,336</u>	<u>510,643</u>

Shareholders Equity:

Capital stock - Authorized - 2,500,000 shares of no par value		
Issued and fully paid - 1,812,260 shares	1,648,432	1,622,500
Equity increase on acquisition of subsidiaries	13,012	13,012
Retained earnings	2,745,731	1,676,746
Net Profit	<u>379,624</u>	<u>761,388</u>
Total Shareholders Equity	<u>4,786,799</u>	<u>4,073,646</u>
	<u>10,510,962</u>	<u>6,531,803</u>